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April 14, 2006

AGENDA ITEM 9

TO: MEMBERS OF THE FINANCE COMMITTEE

- I. SUBJECT:** Annual Report of Discharge from Accountability of Uncollectible Debt (Write-Off)
- II. PROGRAMS:** Retirement
- III. RECOMMENDATION:** Approve to Discharge from Accountability Uncollectible Debt Totaling \$34,425.00
- IV. ANALYSIS:**

In October of 1994 and amended in October of 2000, the California Public Employees' Retirement System's (CalPERS) Board of Administration adopted a resolution and policy authorizing the System to discharge uncollectible debts under the provisions of the California Constitution, Article XVI, Section 17 (see Attachment A). In addition, the policy statement directs the Fiscal Services Division (FCSD) to submit an annual report to the Finance Committee detailing the number and dollar amount of all debts discharged during the year. This report covers the annual period from February 2005 to January 2006. Furthermore, the policy statement requires Committee review and Board approval to discharge from accountability uncollectible debts greater than \$20,000 that do not involve statutes of limitation.

A request for discharge from accountability totaling \$34,425.00 has been submitted to the Finance Committee and Board for review and approval. Attachment B briefly describes the reason for the discharge from accountability request in excess of \$20,000. For confidential reasons, explanations of the circumstances creating the debt and recovery attempts are provided to the Committee Chairman under separate cover and redacted copies to the remaining Committee Members.

CalPERS is initiating an Enterprise Management of Billing, Accounts Receivable, and Collections (EMBARC) project to improve the identification, tracking, and collection procedures for accounts receivable throughout the Department. The EMBARC project is scheduled to be implemented in July 2006. A primary project objective is to reduce the amount of receivables discharged from accountability through enhanced monitoring of aged receivables and dedicated centralized collection efforts.

After all feasible alternatives for collecting a debt are exhausted, discharge from accountability approval is sought based on the tiered approval process as required in the policy statement:

- | | |
|--|---|
| 1. Less than \$10,000 or beyond statutes of limitation | Approved by the Chief of the originating division |
| 2. Between \$10,000 and \$19,999 | Approved by the Assistant Executive Officer of the originating branch |
| 3. \$20,000 or more | Reviewed by Finance Committee and approved by Board of Administration |

As required, Attachment C details current year and two prior years' uncollectible debts of the Retirement Program classified by reason for overpayment and reason for discharge from accountability.

For the Retirement Program, 336 uncollectible debts totaling \$430,098 were approved for discharge of accountability from February 2005 through January 2006.

The debts were the result of:

• Payment Issued After Death Due to Late Reporting (160)	\$252,351
• Service Credit Adjustments (19)	52,139
• Calculation Errors (26)	102,685
• Refund Error (15)	10,523
• Miscellaneous (1)	2,263
• Less than two hundred & fifty dollars (115)	<u>10,137</u>
Total	\$ 430,098

The number and dollar amounts detailed in Attachment C under the category "Statute of Limitations" is reflective of staff's efforts to resolve the remaining cases identified in the on-going contribution data clean-up project and the inactive receivable project. Both these projects were discussed in previous agenda items. The amount attributable to statute of limitations this year is \$351,398. Staff concentrated on timely addressing the receivable processes and retirement allowance adjustments to minimize the number and amounts discharged from accountability under this category. It should be noted, however, there will continue to be a potential for future requests under this category in instances of unreported deaths or calculation errors which go undetected for some period of time.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans, but is part of the regular and ongoing workload of the Benefits Services Division, Office of Employer and Member Health Services and Fiscal Services Division.

VI. RESULTS/COSTS:

The 336 approved requests for discharge of accountability total \$430,098. Procedural changes and technological enhancements, where feasible, have been put into place to minimize or eliminate the source of some of the erroneous payments and debts created.

Russell G. Fong, Chief
Fiscal Services Division

Curtis Howard
Assistant Executive Officer
Administrative Services Branch

Attachments

Attachment A

AGENDA ITEM 9

DELEGATION RESOLUTION

and

BOARD OF ADMINISTRATION

CalPERS

STATEMENT OF POLICY

DISCHARGE FROM ACCOUNTABILITY

(November 1, 2000)

Attachment B

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UNCOLLECTIBLE DEBT

Attachment C

AGENDA ITEM 9

COMPARATIVE SUMMARY OF UNCOLLECTIBLE DEBT